

## REMARKS

The Office Action dated April 21, 2006, rejected Claims 1-11 as being unpatentable over Nieboer et al. (US 6,418,419) (hereinafter "Nieboer") in view of Nelson (US 4,823,265). Claims 1-11 have not been amended herein. Claims 12-22 have been added. Claims 1-22 are thus pending in the application. Applicant has carefully considered the cited art and the comments provided in the Office Action, and respectfully submits that the pending claims are in fact patentable over the cited art.

### Interview Summary

Prior to discussing the cited art and the patentability of the claims, the undersigned counsel wishes to thank Examiner Graham for the time and consideration he extended in the telephonic interview conducted October 17, 2006. The interview focused principally on independent Claims 1 and 4. In summary, Examiner Graham and the undersigned counsel discussed how the elements in the pending claims patentably distinguish the present application over Nieboer and Nelson. Examiner Graham agreed to further analyze the art upon receipt of the present response.

### Patentability of Claims 1-3

Claim 1 reads as follows:

1. A method of facilitating trading, comprising:  
automatically, via a computer, sending a trial order to a market,  
and  
automatically, via the computer, receiving a report indicating that  
the trial order would have been paired if it had been a regular order,  
wherein a trial order is for discovery of current market depth at a  
price and is not an order to buy or sell.

Nieboer is directed to a system for routing and matching conditional orders. A conditional order to buy or sell is executed and a trade is consummated if specified terms are met. See Col. 15, lines 65-67 of Nieboer. Such specified terms may include buying or selling

something else or the price of something else being a certain value. See, e.g., examples 2 and 3 in the table at Col. 9-10 of Nieboer.

The Office Action acknowledged that Nieboer fails to teach a trial order as claimed, "wherein a trial order is for discovery of current market depth at a price and is not an order to buy or sell." The Office Action instead relied on a combination of Nieboer and Nelson to reject Claim 1.

Nelson is directed to an accounting and marketing system for buying and selling renewable options. As is known in the art, options are tradable instruments that are regularly bought and sold at markets. In the context of tradable securities, an option is a contract that grants the owner a right to buy (in the case of a call) or sell (in the case of a put) a certain number of shares of a particular security at a given price. See Nelson, Col. 1, lines 15-19. Option contracts are separately tradable from their underlying securities. Options markets or exchanges designate different symbols for trading option contracts that have different strike prices and different expiration dates. Just as with orders to buy and sell shares of a stock, orders to buy and sell option contracts are paired at a market and result in a trade between buyers and sellers.

In rejecting Claim 1, the Office Action quoted Nelson at Col. 6, lines 3-21, which reads as follows:

The current market price of the underlying security is listed on the display. Offer prices are listed according to strike price, which may (as shown) be described in set increments, or may be equal to or related to the current market price of the security. Bid (buyer offer) and asked (written offer) prices are also listed for each strike price. Alternatively, a single price representing the current market price of the renewable option at each strike price may be listed. As a third alternative, the price of each renewable option may also be set by the listing agent or the writing agent for the listing agent if the market is generated internally by the listing agent rather than through a multi-access exchange. Prices may even be set by standardized formulas. Prices may obviously be affected by a variety of factors, but writers may well choose to list the price of the renewable

options as a fixed percent of the strike/market price on the basis of prevailing interest rates and stock dividends yields, for example.

As can be seen, this passage of Nelson does not teach a trial order "wherein a trial order is for discovery of current market depth at a price and is not an order to buy or sell." The example shown in Nelson at Figure 5a and described above concerns the display of *current market prices* for buying and selling different tradable instruments, namely shares of "XXX Corp." and option contracts for XXX Corp. A display of current prices does not provide information as to current market depth at a price. According to Nelson, when a trader desires to buy or sell an option contract, the trader enters a buy or sell order which is executable at a market. In contrast, a trial order as recited in Claim 1 "is not an order to buy or sell." Nelson simply does not teach a trial order, as claimed.

In the interview, the Examiner requested further indication of portions of the specification that discuss trial orders. The present application includes substantial discussion of embodiments that employ trial orders. For example, at page 8, lines 24-28, the application states:

Trial order--A trial order is a type of limit order submitted to an umpire to be treated as an ordinary order with the exception that the execution is for informational purposes, only. A trial order provides information as to the price and depth of the market, and its priority at a particular price. The execution of a trial order can also be used to trigger some other action, such as a linked order.

At page 27, line 14, to page 28, line 2, the application states:

Trial orders are provided for enhanced market discovery, enabling a party to learn "shares ahead" at a market price. A trial order is stored by an order umpire in a similar manner as a regular order, but is ignored for market inquiry purposes. When executed, a trial order results in an execution report for zero shares at a specified price to the owner of the trial order, and is otherwise transparent to the priority of the order(s) involved in a pairing.

Conventional market watch systems notify a trader when a price has been hit. However, these conventional systems provide no clue as to market depth.

Conventional book trading systems do not support conditional orders, rather, they assume that each order is fully executable.

FIG. 98 provides an example of trial order processing. See also the example of trial order processing during an execution attempt, presented after the discussion of FIG. 71.

Human market makers sometimes let a broker leave an order with them to be executed at the discretion of the human market maker. These types of orders are referred to as "not held" orders and may violate the trading rules of the marketplace. The purpose of these not held orders is to get an execution, not to ascertain market depth.

In contrast, system 5 has much more flexibility in managing event simultaneity than conventional systems, and provides the mechanisms needed to implement a trial order, including the ability to ignore a trial order when responding to market inquiries, and to "execute" the trial order without affecting the priority of other orders involved in a pairing.

At page 114, line 5, to page 115, line 3, the application describes a use case for trial order processing between an order ELF ("oE") and an order umpire ("oU") as follows:

FIG. 98 illustrates how an order ELF and an order umpire cooperate to process a trial order. A utility of trial orders is to provide discovery regarding market depth. It will be appreciated that pricing for small orders is not necessarily the same as pricing for large, negotiated orders. Further, a trial order returns results specific to the order umpire at which the trial order is posted. A trial order may be considered to be a type of limit order.

At step 4500, order ELF 12 receives a trial order from order room 72 and performs new order processing. See FIG. 21, step 410; FIG. 22, step 435; FIG. 23, step 455. At step 4505, oE 12 performs discovery at umpires that support trial orders. See FIG. 23, steps 505-533. At step 4510, oE 12 builds an action list for the trial order. See FIG. 24, step 535. At step 4515, oE 12 takes action according to the action list, namely, posting the trial order to oU 30. See FIG. 24, step 545, and FIG. 28, step 706.

At step 4520, oU 30 receives the posted trial order and processes it. See FIG. 46, step 1040, and FIG. 59, step 1206. At step 4525, oU 30 posts the trial order to its order book. See FIG. 74, steps 1500 and 1505. Let it be assumed that a contra-side order is posted and, at step 4530, oU 30 selects the trial order as one of the best orders for pairing with the newly posted contra-side order. See FIG. 65, step 1258. At step 4535, oU 30 asks oE 12 to affirm availability. See FIG. 65, step 1260, and FIG. 68, step 1287.

At step 4540, oE 12 receives the request for affirmation from oU 30, and determines that all of the posted shares in the trial order are still

available. See FIG. 21, step 415; FIG. 32, step 735; FIG. 33, step 803; and FIG. 34, step 828. At step 4545, oE 12 sends an affirmation of availability to oU 30. See FIG. 34, step 833.

At step 4550, oU 30 receives the affirmation of availability from oE 12. See FIG. 68, step 1294. At step 4555, oU 30 obtains the trial order as the next order in the priority thread, detects that it is a trial order, so adjusts its amount to zero. See FIG. 65, step 1275; FIG. 70, step 1385; and FIG. 71, step 1422. oU 30 then pairs 0 shares of the trial order with the newly posted contra-side order. Accordingly, the priority of regular orders is not disturbed by the presence of the trial order. At step 4560, oU 30 sends a pairing report for 0 shares to oE 12. See FIG. 70, step 1407.

At step 4585, oE 12 receives the pairing report, see FIG. 21, step 415; FIG. 32, step 742; and FIG. 39, step 890; and at step 4590, forwards the pairing report for the trial order to order room 72. See FIG. 39, step 898.

The foregoing quoted passages provide only a sample of the description of trial orders included in the present application. The present application includes other references that describe trial orders and their use in various embodiments. See also, for example, the description of FIG. 70 at page 85, line 9, to page 86, line 4.

Referring again to Claim 1, applicant further notes there is no teaching or suggestion in either Nelson or Nieboer of "automatically, via the computer, receiving a report indicating that the trial order would have been paired if it had been a regular order." As previously discussed, an order to buy or sell an option, or even to renew an option according to Nelson, is still a regular order that results in a trade. Again, neither Nieboer nor Nelson provide any disclosure that teaches or suggests a trial order, much less "receiving a report indicating that the trial order would have been paired if it had been a regular order," as claimed.

The disclosures of Nieboer and Nelson, whether considered alone or combined, fail to teach the elements in Claim 1 and thus fail to establish a *prima facie* case of obviousness. The rejection of Claim 1 should be withdrawn and the claim allowed.

Claims 2 and 3, which depend from Claim 1, are patentable for the same reasons as Claim 1 and for the additional subject matter they recite. In particular, neither Nieboer nor Nelson teaches the following features:

- wherein the report also indicates the price at which the trial order would have been paired if it had been a regular order (Claim 2); and
- wherein the automatically sending and receiving are performed by a trading process (Claim 3).

Claims 2 and 3 should be allowed.

#### Patentability of Claims 4-11

Claim 4 reads as follows:

4. A method of facilitating trading, comprising:  
 automatically, via a computer, receiving a trial order,  
 automatically, via the computer or another computer, entering the trial order into an order file, and  
 automatically, via the computer or another computer, reporting when the trial order would have been paired had it been a regular order,  
 wherein a trial order is for discovery of current market depth at a price and is not an order to buy or sell.

As noted above with respect to Claim 1, Nieboer discloses conditional orders which are not the same as trial orders. According to Nieboer, a conditional order is an order to buy or sell which is executed if specified terms are met. See Col. 15, lines 65-67 of Nieboer. In contrast, a trial order as recited in Claim 1 "is not an order to buy or sell."

Acknowledging that Nieboer fails to teach a trial order as claimed, the Office Action instead relied on Nelson to support the rejection of Claim 4. Similar to Claim 1, the Office Action quoted Nelson at Col. 6, lines 3-21 in rejecting Claim 4. Applicant has considered this passage of Nelson, and indeed the entire specification of Nelson, and does not find any disclosure of a trial order as claimed, "wherein a trial order is for discovery of current market depth at a price and is not an order to buy or sell." Nelson's display of prices for options and/or shares of a stock, as illustrated in Figure 5a, does not provide any information as to current market depth at a price.

Furthermore, as noted earlier, an order to buy or sell an option as taught by Nelson is executable as a regular order at a market. There is no teaching or suggestion in either Nieboer or Nelson of "automatically, via the computer or another computer, entering the trial order into an

order file" and "automatically, via the computer or another computer, reporting when the trial order would have been paired had it been a regular order."

Nieboer and Nelson, whether considered alone or combined, do not teach or suggest the elements of Claim 4. Claim 4 should thus be allowed.

Claims 5-11, which depend either directly or indirectly from Claim 4, are patentable for the same reasons as Claim 4 and for the additional subject matter they recite. In particular, Nieboer and Nelson, whether considered alone or combined, fail to teach the following features:

- further comprising selecting the trial order for pairing with an active side order without affecting the pairing priority of other orders in the order file (Claim 5);
- wherein the automatically reporting includes sending a pairing report for zero shares to a source of the trial order (Claim 6);
- wherein the pairing report includes the price at which the trial order would have been paired had it been a regular order (Claim 7);
- further comprising automatically responding to market inquiries based on orders in the order file other than the trial order (Claim 8);
- further comprising automatically removing the trial order from the order file after reporting when it would have been paired (Claim 9);
- wherein the automatically receiving, entering and reporting are performed by a market process (Claim 10); and
- wherein the trial order is received from a trading process (Claim 11).

Claims 5-11 should be allowed.

#### Patentability of Claims 12-22


New Claims 12-14 and 15-22 are directed to systems that facilitate trading. In view of the discussion provided above relative to Claims 1-11, applicant submits that the cited art does not teach the subject matter of Claims 12-22 and thus Claims 12-22 should be allowed.

CONCLUSION

The disclosures of Nieboer and Nelson do not support a *prima facie* case of obviousness of Claims 1-11. Applicant requests withdrawal of the rejection of Claims 1-11 and allowance of Claims 1-22. Should any issues remain, the Examiner is invited to contact the undersigned counsel by telephone.

Respectfully submitted,

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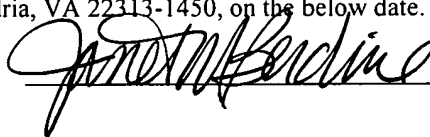


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